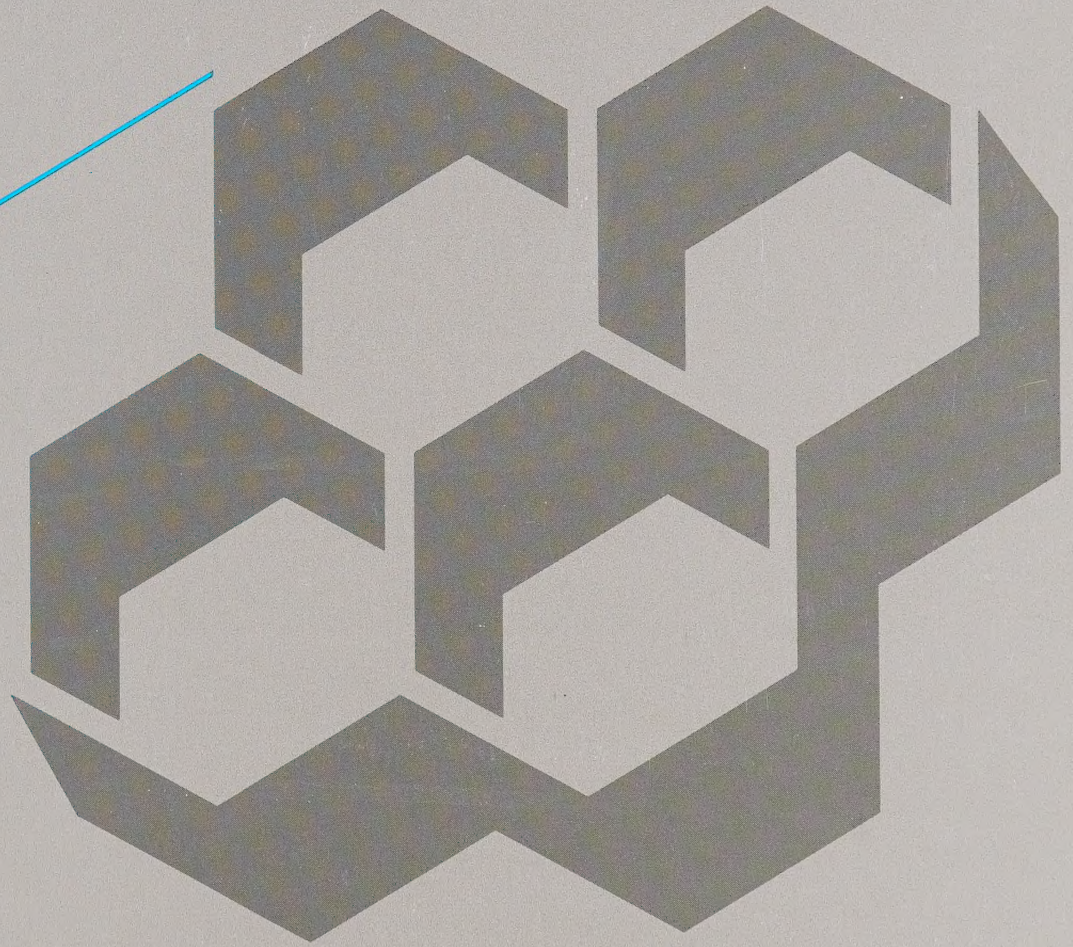


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LE GROUPE SGF

Société générale de
financement du Québec



Annual Report 1981



LE GROUPE SGF

Société générale de
financement du Québec

Subsidiaries



DONOHUE
INC.



MARINE INDUSTRIE LTEE



cegelec industrie inc.

FORANO



artopex



JOHN MEUNIER INC.

Affiliated companies



PÉTROMONT



nouveler INC.

Investissements
Novacap
Inc.

Its Aim

- To manage an industrial group made up of manufacturing companies of significant size, operating in certain sectors that have a high priority in the economic development of Québec
- To oversee the planning and co-ordination of the companies it controls; to support alone, or preferably with partners, their operations and their development in accordance with conditions of normal profitability

Its Features

- A management group whose capital stock is owned by the Gouvernement du Québec
- Twelve companies with more than 80% of their activities concentrated in manufacturing
- Three major high-priority sectors: forest products, energy-related products and petrochemicals
- Investment in innovative industries, primarily through venture capital
- Total sales exceeding 800 million \$
- Total profits of 48 million \$, of which 42% accrue to the holding company
- Companies with a total employment of more than 9 100, mainly in Québec
- Total investments exceeding 800 million \$
- A growing presence outside of Québec
- Well-defined objectives for growth, profitability and solvency



LE GROUPE SGF

Société générale de
financement du Québec

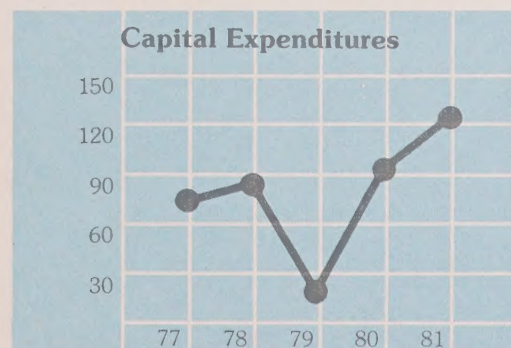
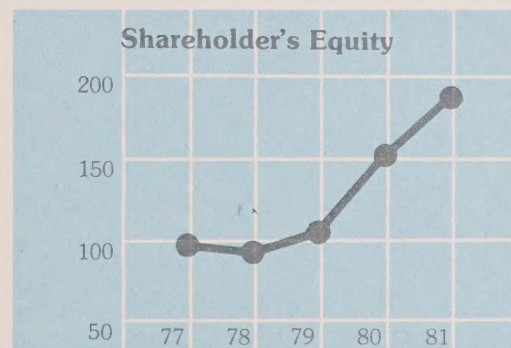
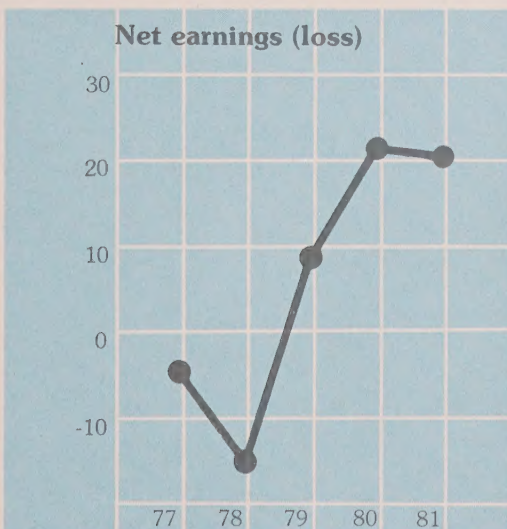
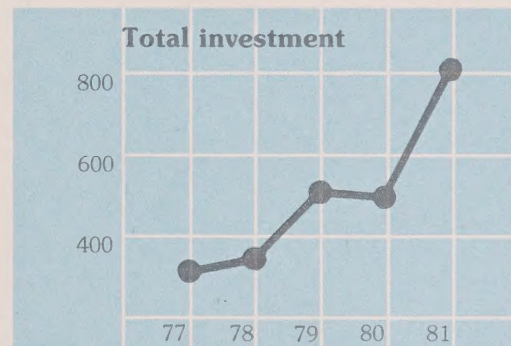
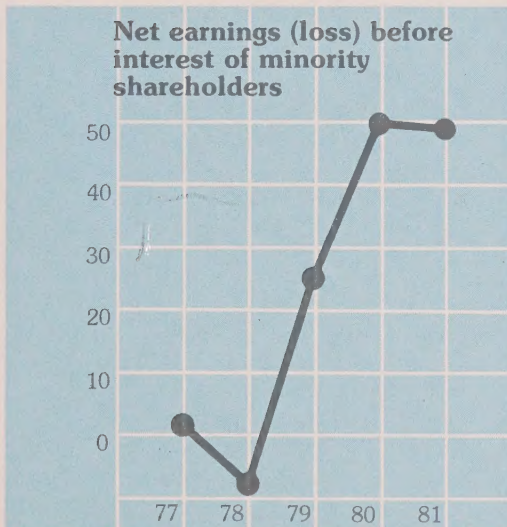
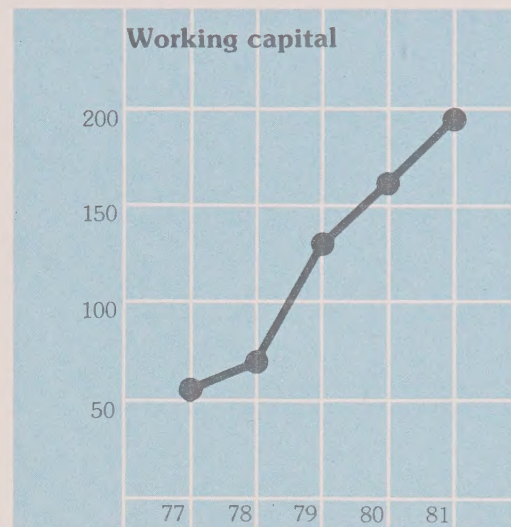
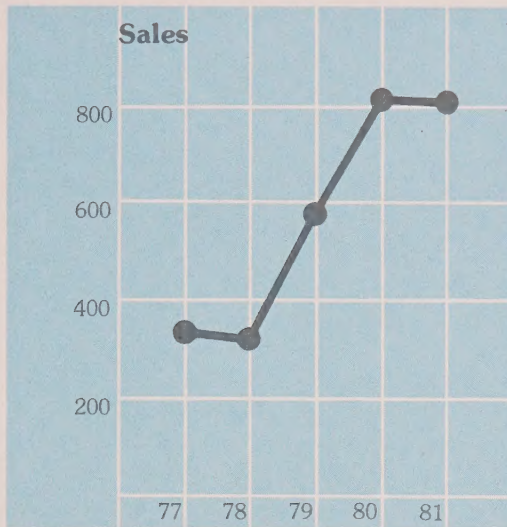
Jean-Claude Lebel
Président et chef
de la direction

Table of Contents

Le Groupe SGF	1	BG Checo International Limitée	27
Five-Year Highlights	3	Pétromont and Company, Limited	28
Report of the President and Chief Executive Officer	4	Cegelec Industrie Inc.	29
Board of Directors and Officers	7	Forano Inc.	30
Summary of Operations and Investments	8	Volcano Inc.	31
Nine-Year Statistical Review	10	Artopex Inc.	32
Officers' and Auditors' Reports	12	Investissements Novacap Inc.	32
Financial Statements	13	Nouveler Inc.	33
Notes to Financial Statements	17	John Meunier Inc.	33
Domtar Inc.	23	Human Resources	34
Donohue Inc.	25	Renewal of Collective Agreements	34
Marine Industrie Limitée	26	Le Groupe SGF Companies, Products and Services	35
		Le Groupe SGF — Investment in Capital Stock	38

Five-Year Highlights

Fiscal year ending December 31
(in millions of dollars)



Report of the President and Chief Executive Officer

Operating Results

Sales volume for all the companies under Le Groupe SGF in 1981 reached 801 132 000 \$, slightly lower than the 808 381 000 \$ achieved the preceding year. The consolidated net earnings of Le Groupe are 48 274 000 \$, compared to 50 656 000 \$ last year. SGF's share of these earnings is 20 311 000 \$, of which 12 893 000 \$ results from extraordinary items. In 1980, SGF's share in the net earnings of Le Groupe was 22 570 000 \$, while extraordinary items amounted to 1 840 000 \$.

Temporary financing of a major acquisition, high interest costs and a marked decline in economic activity toward the end of the year account for the drop in net earnings before extraordinary items.

Performance of SGF Companies

Donohue Inc. accounted for more than half the net earnings of Le Groupe in 1981, with 24 857 000 \$ in net profits. Marine Industrie Limitée also made a significant contribution with net profits of 6,7 million \$, a reduction of some 3,2 million \$ from the profit level achieved last year. Ethylec Inc., which holds SGF's interests in Pétromont and Company, Limited obtained year-end profits of 2,4 million \$. Only Cegelec Industrie Inc., Forano Inc. and John Meunier Inc. recorded losses in 1981.

Corrective measures taken by the management of Cegelec Industrie Inc. allowed it to reduce its losses by more than one-third compared to the previous year. Increased financing costs and the completion of a contract with a low profit margin largely explain the losses of 2,8 million \$ in 1981.

Forano Inc. had an even more difficult year than the year before when it registered losses of 922 000 \$. The recession, affecting the whole lumber industry in

Canada, contributed to a softening of the markets served by Forano Inc., whose 1981 operations sustained a 4,2 million \$ loss.

John Meunier Inc., a company in which Le Groupe SGF is a majority shareholder since 1981 incurred slight losses largely attributable to delays in the implementation of the wastewater treatment program in Québec.

Working capital of SGF at the end of 1981 stands at 194 332 000 \$, an increase of 20% over the previous year's figure of 161 857 000 \$. Capital expenditures rose significantly from 94 115 000 \$ in 1980 to 127 097 000 \$ in 1981. This 35% increase is due mostly to the construction of the new Donohue Normick Inc. mill at Amos.

Major Highlight

The outstanding event of the year was SGF's acquisition in August 1981 of 22% of the capital stock of Domtar Inc. at a cost of 145 800 000 \$. With 20% of Domtar's capital stock held by the Caisse de dépôt et placement du Québec, this transaction provided both companies with the effective control of Domtar.

This acquisition fits into Le Groupe SGF's 1980-85 development plan, which called for SGF to make a major purchase to strengthen its base.

Temporary financing of this transaction resulted in interest expenses of approximately 10 million \$. Although dividend revenues from Domtar Inc. provided partial compensation, this expense lowered SGF's net profit considerably.

Permanent refinancing of this acquisition was made through the creation of a new subsidiary, Dofo Inc., in February 1982, established jointly with the Caisse de dépôt et placement du Québec. SGF

transferred into this new company its share of the capital stock of Donohue Inc. and Domtar Inc., and added to this a further investment of 75 million \$. This amount comprises 58 million \$ in capital stock subscribed by the Gouvernement du Québec, and 17 million \$ of internally generated funds. In addition, Le Groupe SGF invested in 1981 a total of 23,9 million \$ in its other companies.

Sales of Assets

Le Groupe SGF disposed of Tricot La Salle Ltée for 2 million \$ in June 1981. Held by SGF since 1964, Tricot La Salle had been profitable for several years, but no longer corresponded to the objectives and major sector orientation of Le Groupe SGF's development plan.

Thirty-five percent of the capital stock of Marine Industrie Limitée was sold for approximately 13 million \$ on December 15, 1981 to Alsthom-Atlantique, a subsidiary of the large Groupe CGE of France. Alsthom-Atlantique, already a partner in Cegelec Industrie Inc., a subsidiary of Le Groupe SGF, is also involved in areas of activity similar to those of Marine Industrie Limitée. These two companies have been associated for nearly 15 years through licensing agreements and shared technical expertise. The new shareholder can be expected to make a considerable contribution to the future development of Marine Industrie Limitée.

At the beginning of 1982, SGF accepted an offer from MacLaren Forest Products Inc. to purchase its share of the capital stock of Sogefor Ltée for 5,5 million \$. James MacLaren Industries Inc. had been associated with SGF as an equal partner in Sogefor Ltée since 1975 and has managed the company from that date.

Other Investments

Construction of the new newsprint mill at Amos for Donohue Normick Inc., a subsidiary of Donohue Inc., has been in progress throughout 1981 and was finished in

March 1982. The mill, with an annual capacity of 159 000 metric tons, has been completed with subcontracting assistance from two companies of Le Groupe SGF: Volcano Inc. and BG Checo International Limitée.

Volcano Inc. has built new production facilities and offices in Saint-Hyacinthe, at a cost of 6 million \$. This investment should allow the company to increase its productivity and improve its competitive position.

SGF, acting jointly with Forano Inc. and Volcano Inc., purchased the majority of the common shares of John Meunier Inc., which specializes in the manufacture and distribution of wastewater treatment equipment. As well, SGF became the majority shareholder of Artopex Canada Ltée, increasing its interest from 45% to 60%.

According to agreements with Gulf Canada Limited and Union Carbide Canada Limited for the creation of Pétromont and Company, Limited, a petrochemical consortium, SGF on September 30, 1981 paid out 8 million \$, in addition to the 18 million \$ already invested in 1980 when the partnership was established. Another 8 million \$ is to be paid September 30, 1982, to increase SGF's interest in the consortium to 33 1/3%. Pétromont is a limited partnership that operates petrochemical facilities in Montreal East and Varennes.

Marine Industrie Limitée has completed the acquisition of Sométal Atlantic Limitée, a Rimouski company specializing in the design, manufacture and installation of steel components for hydraulic works. These activities are complementary to the present line of products of Marine Industrie Limitée in the field of hydro-electric projects.

The year 1981 marked the launching of Investissements Novacap Inc., a new venture capital company with the objective of investing in small and medium-sized businesses specializing in the area of advanced technology. SGF, the National Bank of Canada, the Caisse de dépôt et

placement du Québec and La Laurentienne, mutuelle d'Assurance have invested equally in the company to a total of 4 million \$. The partners expect to invest another 4 million \$ in 1982.

In 1981, Nouveler Inc., created by four Québec companies: Hydro-Québec, SGF, REXFOR and SOQUEM, set up two subsidiaries, Econoler Inc. and Equipement Canair (1981) Inc. Nouveler, in collaboration with the firm Canertech, also continued to study the establishment of an experimental plant for the production of methanol from wood waste.

Outlook

The slowdown in economic activity, especially noticeable during the last quarter of 1981, shows signs of worsening, and hopes for a strong comeback in the second half of 1982 are gradually fading. Profit margins of Le Groupe SGF companies are not likely to improve during 1982, and increased interest costs will continue to affect the profitability of operations. Under these circumstances, in spite of careful management, it will be difficult to maintain 1982 earnings at 1981 levels.

In Appreciation

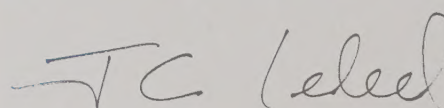
My predecessor, Mr. Guy Coulombe, left for Hydro-Québec early in 1982, and so is unable to sign this report, which is essentially his. President and Chief Executive Officer of Le Groupe SGF since 1978, Mr. Coulombe has been largely responsible for the improved performance of this industrial group. Under his direction, revenue from operations grew from some 300 million \$ in 1978 to 800 million \$ in 1981, with cumulative earnings of 116 million \$ for the whole group in spite of considerable losses incurred by Marine Industrie Limitée in the construction of some vessels.

As well as having worked to strengthen Le Groupe SGF's foundations, Mr. Guy Coulombe has left his mark on several of the projects undertaken in this period: a two-staged revision of the law governing SGF, adoption of the first development plan detailing the company's role, construction of the Donohue Normick Inc. mill, creation of Pétrumont, acquisition, with the Caisse de dépôt et placement du Québec of effective control of Domtar Inc., launching of Nouveler Inc. and of Investissements Novacap Inc. So, it is with great pleasure that I join with the members of the Board of Directors and the personnel of SGF to thank Mr. Coulombe and wish him success in his new position as President of Hydro-Québec.

I also would like to thank the members of the Boards of Directors, the Management and the personnel of SGF and its companies for their efforts throughout the year to achieve the goals they set for themselves.

As the new President and Chief Executive Officer of SGF, I count on everyone's support, in these particularly difficult times, to reach our 1982 objectives.

President and Chief
Executive Officer



Jean-Claude Lebel

April 29, 1982

Société générale de financement du Québec

Board of Directors

Reynald Brisson °

President

Centrale de la Machine
à Coudre Industrielle Inc.

Claude Descôteaux °

Deputy Minister

Ministère de l'Énergie et des
Ressources

Éric Forest

Director

Roland Giroux * ◇

Director

Power Corporation of Canada

Yves Graton ◇

President and Chief

Executive Officer

Delta-des Gouverneurs Inc.

Robert Gratton ◇

Chairman of the Board,

President and Chief

Executive Officer

Montreal Trust Company

Jeannine Guillevin-Wood

President

Guillevin International Inc.

Alfred Hamel

President

Québecair

Michel Latraverse *

Director

Jean-Claude Lebel * ◇

Chairman of the Board,

President and Chief

Executive Officer

Le Groupe SGF

Fernand Martin °

Professor

Université de Montréal

Fernand Paré * °

President and General Manager

La Solidarité, Compagnie

d'assurance sur la vie

H. Arnold Steinberg *

Executive Vice-President,

Finance and Development

Steinberg Inc.

Officers

Jean-Claude Lebel

Chairman of the Board,

President and Chief

Executive Officer

Michel Plessis-Bélair

Vice-President

Jacques Paquin

Senior Vice-President

Rita Dionne-Marsolais

Vice-President,

Corporate Development

Louis-Gilles Gagnon

Vice-President,

General Counsel

Jean Houde

Vice-President

Jacques A. Lefebvre

Vice-President,

Petrochemicals

Alain-F. Desfossés

Secretary and Assistant to the

President

* Member of the Executive Committee

° Member of the Audit Committee

◇ Member of the Human Resources
Committee

Summary of Operations and Investments

Fiscal year ending December 31
(in thousands of dollars)

Investment in Capital stock (at cost)

\$	%
24 954	55
21 668	65
2 820(f)	94
26 050	100
1 500	50
2 425(f)(g)	50
9 904	100
5 300	50
2 002	100
1 252(f)	100
1 595	60
400(h)	63
—	—
99 870	
145 770	22
289	50
1 750	35
1 000	25
—	—
148 809	
200(i)	
248 879	

Donohue Inc. and its subsidiaries	.....
Marine Industrie Limitée and its subsidiaries	.....
Ethylec Inc. *	.....
Cegelec Entreprises Inc. and its subsidiaries	.....
Forano Inc. * and its subsidiaries	.....
Cegelec Industrie Inc. and its subsidiary	.....
Volcano Inc. *	.....
Artopex Canada Ltée and its subsidiary	.....
John Meunier Inc.	.....
Tricot La Salle Ltée *	.....

Investments at equity value:

Domtar Inc.	.....
Sogefor Ltée	.....
Nouveler Inc. and its subsidiaries	.....
Investissements Novacap Inc.	.....
Artopex Canada Ltée **	.....

SGF*, deduction of inter-company transactions

Profit on the disposal of investments

Profit on the conversion of shares in Donohue Inc.

Total

Notes

(a) Before interest of minority shareholders of this company's subsidiaries

(b) Before interest of minority shareholders in dividends on preferred shares

(c) After deducting dividends received from subsidiaries and affiliated companies (6 754 000 \$ 1981, including 102 000 \$ on preferred shares; 1 823 000 \$ in 1980). Including the results of two subsidiaries, Sofobec Ltée and Société de montage automobile-Soma Inc.

(d) SGF's share in the results of these companies

(e) Results at April 30, 1981

(f) Preferred shares

(g) 1 200 000 \$ representing 100% of the preferred shares of a subsidiary of Cegelec Entreprises Inc.

(h) Including the investments of Forano Inc. and Volcano Inc.

(i) Investment in common shares of Sofobec Ltée

* Tax-exempt corporation

** SGF having increased its investment in this subsidiary, its results are now consolidated.

Sales		Net earnings (Loss)		SGF's share	
1981	1980	1981	1980	1981	1980
289 882 \$	272 455 \$	39 303 \$(a)	40 176 \$	10 570 \$	11 064 \$
220 041	285 634	6 770 (a)	9 911	6 709	9 898
50 427	10 815	2 411	684	2 411	684
108 417	112 561	2 116 (b)	2 012	1 007	955
57 339	67 624	(4 556) (a)	(806)	(4 287)	(823)
34 156	29 194	(2 825)	(4 119)	(1 413)	(2 059)
29 845	20 418	1 039	1 176	1 039	1 176
19 670	—	68	—	41	—
1 376	—	(200)	—	(125)	—
3 848 (e)	10 685	309 (e)	600	309	600
815 001 \$	809 386 \$	44 435 \$	49 634 \$	16 261 \$	21 495 \$
—	—	4 196 (d)	—	4 196	—
—	—	885 (d)	800	885	800
—	—	(166) (d)	—	(166)	—
—	—	9 (d)	—	9	—
—	—	—	258	—	258
—	—	4 924 \$	1 058 \$	4 924 \$	1 058 \$
(13 869)	(1 005)	(11 336) (c)	(36)	(11 125)	17
801 132 \$	808 381 \$	38 023 \$	50 656 \$	10 060 \$	22 570 \$
—	—	809	—	809	—
—	—	9 442	—	9 442	—
801 132 \$	808 381 \$	48 274 \$	50 656 \$	20 311 \$	22 570 \$

Nine-Year Statistical Review

Fiscal year ending December 31
(in thousands of dollars)

	1981	1980	1979
Operations			
Income from operations	801 132 \$	808 381 \$	578 830 \$
Depreciation of fixed assets	24 396	21 007	19 639
Interest	45 396	31 995	28 431
Investment income	17 525	9 235	6 511
Income taxes	33 994	32 955	16 081
Earnings (loss) before interest of minority shareholders	48 274	50 656	25 701
Interest of minority shareholders	27 963	28 086	16 208
Net earnings (loss)	20 311	22 570	9 493
Capital expenditures	127 097	94 115	19 944
Balance sheet			
Working capital	194 332	161 857	131 849
Investments and deposits	167 837	23 073	29 660
Fixed assets			
at cost	574 672	446 622	354 452
net	431 848	328 843	255 813
Long-term debt	420 402	212 834	210 437
Deferred income taxes	51 737	35 395	16 855
Interest of minority shareholders	143 833	120 049	87 222
Shareholder's equity	189 121 \$	151 783 \$	104 623 \$

1978	1977	1976	1975	1974	1973
316 921 \$	347 206 \$	404 772 \$	382 543 \$	313 824 \$	249 138 \$
8 468	6 723	6 659	5 272	5 616	5 360
5 186	4 616	5 219	4 513	4 691	6 418
3 582	1 670	1 278	1 412	2 039	1 159
8 787	4 703	7 340	10 786	7 726	4 881
(8 504)	168	469	21 175	13 235	(7 247)
5 863	4 196	(20)	7 856	6 360	(2 008)
(14 367)	(4 028)	489	13 319	6 875	(5 239)
88 360	77 914	49 472	10 823	4 844	5 559
73 460	56 983	50 647	59 445	42 453	25 895
30 813	84 339	22 173	11 792	2 369	2 378
334 022	242 068	165 644	121 336	115 601	111 445
253 962	174 077	102 894	61 897	58 796	57 435
191 630	146 873	26 119	21 319	19 758	26 953
10 563	10 627	11 050	10 396	10 189	8 582
66 845	66 091	55 448	31 356	31 211	27 150
95 117 \$	99 707 \$	90 398 \$	76 193 \$	48 537 \$	31 139 \$

Officers' Report

To the shareholder of
Société générale de financement
du Québec

In the course of its activities, the board of directors of the Société générale de financement du Québec has delegated to its officers the preparation of its consolidated financial statements.

These consolidated financial statements have been audited by an independent firm of auditors, Samson Bélair, before their presentation to the board of directors who approved them upon recommendation of the duly constituted and appointed audit committee.

The management believes that these statements have been prepared in accordance with generally accepted accounting principles. They take into consideration, within reasonable limits, all significant accounting policies referred to in the notes to consolidated financial statements.

The information contained in this financial report complies with the consolidated financial statement included herein.

President and Chief
Executive Officer



Jean-Claude Lebel

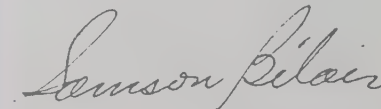
Montréal, April 29, 1982

Auditors' Report

To the shareholder of
Société générale de financement
du Québec

We have examined the consolidated statement of financial position of the Société générale de financement du Québec as at December 31, 1981 and the consolidated statements of earnings, retained earnings and changes in financial position for the year ended at that date. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Société générale de financement du Québec as at December 31, 1981, the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Samson Bélair
Chartered Accountants

Montréal, March 10, 1982

Consolidated statement of financial position

year ended December 31
(in thousands of dollars)

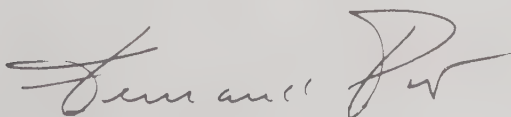
	1981	1980
Current assets		
Cash and short-term investments	136 562 \$	83 660 \$
Accounts receivable	126 586	109 785
Contracts in process and inventories (note 2)	101 349	132 885
Prepaid expenses	2 154	1 159
	<u>366 651</u>	<u>327 489</u>
Current liabilities		
Bank indebtedness (note 4)	35 414	45 470
Accounts payable	107 447	103 063
Deferred income and deposits on con- tracts	8 872	7 335
Income taxes	3 148	5 293
Current portion of long-term debt	17 438	4 471
	<u>172 319</u>	<u>165 632</u>
Working capital	<u>194 332</u>	<u>161 857</u>
Other assets		
Holdbacks and claims receivable	7 100	2 650
Investments (note 3)	167 837	23 073
Fixed assets less depreciation of 142 824 000 \$ (117 779 000 \$ in 1980)	431 848	328 843
Goodwill	3 976	3 638
	<u>610 761</u>	<u>358 204</u>
Total investment	<u>805 093</u>	<u>520 061</u>
Other liabilities		
Long-term debt (note 5)	420 402	212 834
Deferred income taxes	51 737	35 395
Interest of minority shareholders	143 833	120 049
	<u>615 972</u>	<u>368 278</u>
Shareholder's equity	<u>189 121 \$</u>	<u>151 783 \$</u>
Capital stock (note 6)	137 665 \$	122 665 \$
Contributed surplus	2 510	2 510
Retained earnings	48 946	26 608
Shareholder's equity	<u>189 121 \$</u>	<u>151 783 \$</u>

Signed on behalf of the board

Director,



Director,



Consolidated statement of earnings

year ended December 31
(in thousands of dollars)

	1981	1980
Gross revenue from operations	801 132 \$	808 381 \$
Earnings before the following items	118 172 \$	121 386 \$
Depreciation of fixed assets	24 396	21 007
Other amortization	454	296
Interest and expenses on long-term debt .	35 924	25 871
Interest and expenses on short-term debt	9 472	6 124
Recovery of losses on contracts	(3 390)	(3 390)
	70 246	49 908
Operating income	47 926	71 478
Add:		
Income from investments	17 525	9 235
Share in net earnings of affiliated companies	3 924	1 058
	21 449	10 293
Deduct:		
Income taxes	33 994	32 955
Earnings before extraordinary items and interest of minority shareholders	35 381	48 816
Extraordinary items (note 7)	12 893	1 840
Earnings before interest of minority shareholders	48 274	50 656
Interest of minority shareholders	27 963	28 086
Net income for the year	20 311 \$	22 570 \$

Consolidated retained earnings

year ended December 31
(in thousands of dollars)

	1981	1980
Retained earnings , at beginning	26 608 \$	4 448 \$
Net income for the year	20 311	22 570
Realization of a tax benefit resulting from losses carried forward following the acquisition of a subsidiary	2 116	
Sundry adjustments of subsidiaries' retained earnings	(89)	(410)
Retained earnings , at end	48 946 \$	26 608 \$

Consolidated statement of changes in financial position

year ended December 31
(in thousands of dollars)

	1981	1980
Financial resources provided by		
Funds from operations, before extraordinary items	74 816 \$	89 665 \$
Issue of common shares	15 000	25 000
Realization of trust fund for completion of expansion projects		16 365
Increase in interest of minority shareholders		4 741
Increase in long-term debt — net	207 568	2 397
Dividends from non-consolidated affiliated companies	4 284	353
Decrease in holdbacks and claims receivable		1 787
Disposal of investments	15 046	
	<u>316 714</u>	<u>140 308</u>
Financial resources applied to		
Increase of holdbacks and claims receivable	4 450	
Decrease in interest of minority shareholders	5 195	
Acquisition of fixed assets — net	127 097	94 115
Increase in investments — net	145 124	9 298
Reimbursement of financing of ships		6 477
Realization of a tax benefit	2 116	
Miscellaneous	257	410
	<u>284 239</u>	<u>110 300</u>
Increase in working capital	32 475	30 008
Working capital, at beginning	161 857	131 849
Working capital, at end	<u><u>194 332 \$</u></u>	<u><u>161 857 \$</u></u>

Notes to consolidated financial statements

year ended December 31, 1981

1. Summary of significant accounting policies

a) Consolidation

The consolidated financial statements include accounts of all subsidiaries and other companies under effective control in whose management SGF participates actively. Companies included in the consolidation, with respective percentages of ownership, are as follows:

	% of ownership	
	1981	1980
Donohue Inc. and its subsidiaries	55	43
Marine Industrie Limitée and its subsidiaries	65	100
* Ethylec Inc.	100	100
Cegelec Entreprises Inc. and its subsidiaries	50	50
Forano Inc. and its subsidiaries	100	100
Cegelec Industrie Inc. and its subsidiary	50	50
Volcano Inc.	100	100
Artopex Canada Ltée and its subsidiary	60	—
John Meunier Inc.	63	—
Société de Montage Automobile-Soma Inc.	100	100
Sofobec Ltée	100	100
Tricot LaSalle Ltée	—	100

Results of operations of subsidiaries and affiliated companies are included in the consolidated financial statements as of their respective date of acquisition and until their respective date of disposition, should such be the case.

* The accounts of this subsidiary represent the share of the company in Pétromont, and Company, Limited and Pétromont Inc., whose accounts are consolidated using the proportionate consolidation method.

b) Investments

Investments in other companies in which SGF holds a significant number of shares, allowing it to exercise influence over management, are accounted for at the equity value method. All other investments are stated at cost.

c) Inventories

Inventories are valued at the lower of average cost and net realizable value.

d) Fixed assets and depreciation

Fixed assets are stated at acquisition cost, less all related grants, if any. Depreciation is generally computed on a straight-line basis, based on estimated useful lives.

e) Goodwill

Goodwill is amortized on a straight-line basis over twenty years.

f) Income taxes and deferred income taxes

Earnings of SGF and of its wholly-owned subsidiaries are not subject to income taxes. Companies liable for income taxes use the deferred income tax method of accounting. Deferred income taxes result mostly from timing differences between depreciation of fixed assets charged to operation and capital cost allowance claimed for income tax purposes.

g) Earnings recognition

Earnings are recognized at the time the products are delivered or when services are rendered, with the exception of earnings of one subsidiary, whose principal activity is the management of engineering contracts. This subsidiary records its earnings on the basis of the percentage of completion.

Insofar as losses may be anticipated, they are recorded in the books.

h) Foreign currency

Working capital elements have been translated into Canadian dollars at the rate of exchange prevailing at year-end. Other elements of assets and liabilities have been translated at the exchange rate prevailing at the time each transaction was concluded. Items included in the statement of earnings are translated at the average exchange rate for the year.

2. Contracts in process and inventories

	1981	1980
	(in thousands of dollars)	(in thousands of dollars)
Contracts in process, at cost	138 237 \$	165 335 \$
Less:		
Progress billings	149 584	134 015
	(11 347)	31 320
Inventories	112 696	101 565
	101 349 \$	132 885 \$

3. Investments

		1981		1980
	% of ownership	(in thousands of dollars)	% of ownership	(in thousands of dollars)
Affiliated companies, at equity value				
SGF				
Domtar Inc.	22	146 086 \$		
Nouveler Inc.	35	1 584	35	875 \$
Sogefor Ltée	50	3 106	50	2 625
Investissements Novacap Inc.	25	1 009		
Artopex Canada Ltée*			45	2 056
		151 785		5 556
Donohue Inc.				
J.E. Therrien Inc.	49	7 595	49	8 595
		159 380		14 151
Investments, at cost				
Bombardier Inc.				
(market value: 3 412 000 \$)	6	7 122	6	7 122
Others		1 335		1 800
		8 457		8 922
		167 837 \$		23 073 \$

* This subsidiary is now consolidated, SGF having increased its percentage of ownership (see note 1).

4. Bank indebtedness

Bank indebtedness is secured by the assignment of accounts receivable, inventories and certain other assets, the book value of which is approximately 103 000 000 \$.

5. Long-term liabilities

	1981	1980
	(in thousands of dollars)	(in thousands of dollars)
SGF		
Notes payable to the shareholder, 10 ¹ / ₄ %, maturing from 1988 to 1992.....	15 000 \$	15 000 \$
Notes payable, guaranteed, 7 %, maturing February 1, 1982.....	2 700	2 700
Bank loan, at prime rate, to be refinanced in 1982 (note 9).....	145 770	
	163 470	17 700
Subsidiaries		
Bonds and debentures		
*Sinking fund bonds, 10% and 11 ¹ / ₈ %, maturing in 1997.....	141 565	141 565
Guaranteed bonds at ⁵ / ₈ % above prime rate, maturing in 1995.....	65 189	
Bonds payable in variable annual instalments, 11 ¹ / ₈ %, maturing in 1991.....	10 535	10 820
Sinking fund bonds, 6 ³ / ₄ % to 7 %, maturing from 1982 to 1988.....	1 653	2 061
Sinking fund debentures, 6 ¹ / ₂ % to 11 ⁷ / ₈ %, maturing from 1982 to 1992.	16 225	17 145
Guaranteed debentures at 1 ¹ / ₂ %, above bank prime rate, maturing in 1985...	568	736
	235 735	172 327
Less debentures held in sinking funds...	111	244
Balance, transferred to page 20.....	235 624 \$	172 083 \$

* SGF's commitment to advance to Donohue St-Félicien Inc. the funds required to reimburse this debt, if required, is guaranteed by the Gouvernement du Québec.

	1981	1980
	(in thousands of dollars)	(in thousands of dollars)
Balance transferred from page 19	235 624 \$	172 083 \$
Notes payable, at various rates and maturity dates	34 430	22 842
Notes payable by a subsidiary, guaranteed by its shareholders	1 250	1 650
Mortgages, royalties and other	3 066	3 030
	274 370	199 605
	437 840	217 305
Less current portion	17 438	4 471
	420 402 \$	212 834 \$

The total long-term debt amounting to 420 402 000 \$ includes 165 907 000 \$ in U.S. currency. If this U.S. currency debt was to be converted at the rate of exchange prevailing on December 31, 1981, it would be increased by 11 529 000 \$.

Capital payments due within each of the next five years are as follows:

1982	17 438 000 \$	1984	22 434 000 \$	1986	23 933 000 \$
1983	16 632 000 \$	1985	22 499 000 \$		

6. Capital stock

The shares of SGF are held by the Gouvernement du Québec.

	1981	1980
	(in thousands of dollars)	(in thousands of dollars)
Authorized (shares of a par value of 10 \$ each)		
• 3 700 000 deferred dividend shares, convertible into common shares as of January 1, 1982. Upon conversion, the authorized number of deferred dividend shares is decreased by the number of deferred dividend shares converted, and the authorized number of common shares is increased by an equal number		
• 22 800 000 common shares		
Issued and paid		
• 3 700 000 deferred dividend shares	37 000 \$	37 000 \$
• 10 066 502 common shares (of which 1 500 000 were issued for cash in 1981)	100 665	85 665
	137 665 \$	122 665 \$

From 1982 to 1984, the Gouvernement du Québec will subscribe and pay SGF 50 000 000 \$ for 5 000 000 common shares. Before December 31, 1985, it may also subscribe and pay up to 77 334 980 \$ for 7 733 498 common shares.

7. Extraordinary items

This amount includes:

- a)** The share of SGF in the extraordinary gain of 2 642 000 \$ (1 840 000 \$ in 1980) related to tax reductions originating from losses carried forward from prior years, is 2 134 000 \$ (1 355 000 \$ in 1980);
- b)** A profit of 809 000 \$ on disposal of investments;
- c)** A profit of 9 442 000 \$ resulting from the increase in book value of the SGF's interest in Donohue Inc., after giving effect to the conversion on January 5, 1982, of preferred shares into common shares of this subsidiary.

8. Commitments and contingent liability

a) Commitments

Donohue Inc.

Donohue Normick Inc., a 51% owned subsidiary of Donohue Inc., has undertaken the construction of a newsprint mill with an annual capacity of 159 000 metric tons; completion date is scheduled for March 1982. The total cost of this project is estimated at 190 000 000 \$. It has been financed by the issue of shares for 41 000 000 \$, and the balance by way of 108 000 000 \$ first mortgage bonds and 41 000 000 \$ government grants, of which 25 795 000 \$ have already been received.

Ethylec Inc.

Under an agreement reached in September 1980 by Ethylec Inc., Gulf Canada Limited and Union Carbide Canada Limited, SGF has guaranteed its wholly-owned subsidiary's commitment to purchase, from one of its partners, debentures of Pétromont and Company Limited, amounting to 8 000 000 \$ in 1982.

Investissements Novacap Inc.

Under an agreement reached in 1981, SGF is committed to invest, in 1982, 1 000 000 \$ in the capital stock of Investissements Novacap Inc., a venture capital enterprise.

Others

SGF has also endorsed commitments in joint ventures of certain of its subsidiaries and with certain insurers and financial institutions.

Actuarial deficit

The actuarial deficit of the pension plan of a subsidiary amounts to 1 384 000 \$ and will be paid by annual instalments of 174 700 \$ each, to be charged to operations up to 1994.

Leases

The principal leases under which the companies are obligated and which mature at various dates until 1990 amount to 6 697 000 \$. Payments to be made are as follows: 1982, 2 241 000 \$; 1983, 1 716 000 \$; 1984, 1 110 000 \$; 1985, 737 000 \$; 1986, 360 000 \$; 1987-1990, 533 000 \$.

b) Contingent liability

In September 1977, a lawsuit was instituted against a subsidiary claiming 24 300 000 \$ for damages. The company has instituted a counterclaim in the amount of 1 600 000 \$ plus interest. Counsel are of the opinion that the damage claim is grossly inflated and they are presently conducting an intensive review of the evidence

for the purpose of rendering an opinion as to liability. Counsel have indicated that the matter will come before the Courts in the 1982 calendar year.

9. Subsequent events

Sogefor Ltée

In January 1982, SGF sold all its investments in Sogefor Ltée for an amount of 5 500 000 \$.

Dofor Inc.

In February 1982, SGF and Caisse de dépôt et placement du Québec set up a new company, Dofor Inc., in which SGF holds 84.8% of the participating shares.

SGF then sold to Dofor Inc. all its investments in Donohue Inc. and Domtar Inc. SGF also subscribed 75 000 000 \$ for the purchase of common shares of Dofor Inc. while the Caisse de dépôt et placement du Québec subscribed 71 000 000 \$ for the purchase of preferred shares.

The proceeds of these issues was used to reimburse the bank loan of 145 770 000 \$ mentioned in note 5.

The investment of SGF was partly financed by a subscription of its shareholder to 2 500 000 common shares of its capital stock (note 6).

10. Related party transactions

In the normal course of business, various companies of Le Groupe SGF have recorded sales to other corporations owned by the Gouvernement du Québec. These transactions were concluded under normal commercial terms.

The rationale of the purchase

As part of the 1980-1985 development plan presented to the Gouvernement du Québec in December, 1980, and discussed in parliamentary committee, Le Groupe SGF stated that, in addition to assuring its normal growth, it wanted to undertake major expansion in one of its current business sectors or in a new sector. It was understood then that this major investment would have to meet a certain number of clearly-defined objectives and criteria. It would have to:

- constitute an important and stable source of revenue allowing Le Groupe SGF to reduce financial uncertainty and to expand its investment base;
- permit SGF to take effective control of a large company immediately or in the near future;
- promote more stable growth of Le Groupe SGF while adding to its size and influence both in terms of sales and of employment;
- increase influence of Le Groupe SGF in one of its present sectors of activity or in new sectors;
- provide a foothold in export markets;
- allow entry into a sector of highly innovative technology.

After analyzing several possibilities, Le Groupe SGF acquired 22% of the capital stock of Domtar Inc. on August 18, 1981. This investment meets the principal criteria that were established:

- ☐ Domtar and its subsidiaries are engaged in the production of pulp and paper, packaging products, construction materials, and chemical products. It is a highly integrated yet diversified company and its major sectors of activity are reacting at different times to external conditions. It has 17 400 employees, some 4 600 of whom work in Québec;
- ☐ A major part of Domtar's activities is in forest products, one of Le Groupe SGF's three main sectors of activity;
- ☐ About 70 units are operating in Canada and the United States. In 1980, the shares of the company sales originating in Québec was estimated to be between 35% and 40% of the total sales, while more than 60% originated elsewhere in Canada or in the United States;
- ☐ Domtar also has interests in oil and gas exploration firms in northern Alberta, British Columbia and the United States;
- ☐ It has its head office in Montréal;
- ☐ 1981 sales approached 1,8 billion \$ and net income was 64 million \$;
- ☐ Most of its capital expenditures of 164 million \$ are aimed at improving its strategic advantages. These include mainly the completion of a gypsum wall-board plant in Tacona, Washington, and the conversion of the specialty paper plant at Donnacona, Québec;
- ☐ Its working capital amounts to 364 million \$; in addition its cash and short term investments amount to some 83 million \$ and its net operating funds to 78 million \$;
- ☐ Its present quarterly dividends of 0,50 \$ per share are attractive;
- ☐ Domtar possesses major research centres;
- ☐ Le Groupe SGF has effective control of the company jointly with the Caisse de dépôt et placement du Québec since, together, they hold the most important block of Domtar shares.

Financing

Le Groupe SGF created a new subsidiary, Dofor Inc., as part of a corporate reorganization at the beginning of 1982. Dofor Inc. is a holding company into which Le Groupe SGF transferred all the shares that it held in Donohue Inc. (55%) and Domtar Inc. (22%). Le Groupe SGF also invested 75 million \$ in Dofor and retains 84,8%

of the voting shares of the new company. The Caisse de dépôt et placement du Québec acquired the other voting shares as well as non-voting preferred shares for a total investment of 71 million \$. This restructuring permitted SGF to reimburse the amount of 145,8 million \$, temporarily borrowed at the moment of acquisition.

The financial situation of Domtar Inc.

Summary of consolidated results

(in thousands of dollars)

	Sales	Net earnings for the year
1981	1 764 744 \$	63 556 \$
1980	1 653 249	94 630
1979	1 495 370	97 917
1978	1 240 900	63 300
1977	1 009 500	26 800

Summary of consolidated balance sheet (in thousands of dollars)

December 31	1981	1980
Current assets	581 462 \$	596 624 \$
Current liabilities	217 701	231 583
Working capital	363 761	365 041
Fixed assets — at cost		
less accumulated depreciation	692 405	584 712
Other assets	28 048	22 538
Total investment	1 084 214	972 291
Long-term debt	262 595	214 590
Deferred income taxes	176 260	148 444
Deferred credit	8 735	12 250
Interest of minority shareholders	3 227	2 975
Shareholders' equity	633 397 \$	594 032 \$

Board of Directors*

Alex E. Barron
President
Canadian General Investments Limited

Gilles Blondeau
President
Groupe Optimum Inc.

Pierre Côté
Chairman of the Board
Celanese Canada Inc.

Guy Coulombe
President and General Manager
Hydro-Québec

H. Roy Crabtree
Chairman of the Board and President
Wabasso Inc.

Robert Després
Chairman of the Board
Atomic Energy of Canada Limited

Denis Giroux
Manager,
Special Investments
Caisse de dépôt et placement du Québec

Alex D. Hamilton
Chairman of the Board and Chief Executive Officer
Domtar Inc.

Robert E. Heneault
Vice-President,
Administration
Stelco Inc.

John G. Kirkpatrick, Q.C.
Senior Partner
Ogilvy, Renault

Jean-Claude Lebel
Chairman of the Board, President and Chief Executive Officer
Le Groupe SGF

John C. Major, Q.C.
Partner
Bennett Jones

Rémi Marcoux
President
Groupe Transcontinental G.T.C. Ltée

Raymond R. Pinard
Executive Vice-President and Chief Operating Officer
Domtar Inc.

Michel Plessis-Bélair
Vice-President
Le Groupe SGF

Yves Pratte, Q.C.
Partner
Clarkson, Tétrault

James H. Smith
President
Domtar Inc.

Edward J. Waters
Vice-President and Director
Kidder, Peabody & Co. Inc.

Lorne C. Webster
Chairman of the Board and Chief Executive Officer
Groupe Prenor Ltée

* in accordance with the management proxy circular distributed in April, 1982 to the shareholders of Domtar Inc.

Donohue Inc.

(and its subsidiaries)

1981 Highlights

- Net sales reached a record level of 290 million \$
- The kraft pulp mill at St-Félicien and the newsprint mill at Clermont operated at full capacity, but the production of lumber was noticeably less than forecast because of the softness of the market and a labour conflict
- Net income, at 24.9 million \$, remains at approximately the same level as the preceding year
- Foreign exchange earnings in 1981 contributed 59% of net income, compared to 47% in 1980
- Reduction of profit margins due to increase in costs outpacing price rises
- Ongoing construction of the new mill at Amos

1982 Outlook

- More difficult economic circumstances and uncertainty in the principal markets served by the company: those of newsprint, pulp and lumber
- Start-up in April of the Donohue Normick Inc. newsprint mill at Amos, with an annual capacity of 159 000 metric tons
- Drop in profits of Donohue Inc., largely due to the new Donohue Normick Inc. mill going into production, the softness of markets and increases in production costs
- Collective agreements to be renewed

Summary of consolidated results

(in thousands of dollars)

	Sales	Net earnings for the year
1981	289 882 \$	24 857 \$
1980	272 455	26 028
1979	176 528	13 673
1978	93 668	8 597
1977	88 919	6 228

Summary of consolidated balance sheet (in thousands of dollars)

December 31	1981	1980
Current assets	191 343 \$	149 121 \$
Current liabilities	47 364	34 993
Working Capital	143 979	114 128
Fixed assets — at cost		
less accumulated depreciation	322 143	240 062
Other assets	23 698	32 911
Total investment	489 820	387 101
Long-term debt	237 621	182 745
Deferred income taxes	51 452	35 353
Interest of minority shareholders	72 935	63 307
Shareholders' equity	127 812 \$	105 696 \$

Shareholders

Donohue Inc.

Dofo Inc.	54,9%
La Cellulose du Pin, S.A. et Papeterie de la Seine, S.A.	34,4%
Other shareholders	10,7%

Dofo Inc.

Société générale de financement du Québec	84,8%
Caisse de dépôt et placement du Québec	15,2%

Directors

Michel Besson
President and Chief
Executive Officer
Certainteed Corporation

Pierre Chancel
President and General
Manager
La Cellulose du Pin, S.A.

Roger Charbonneau*
President
Laboratoires Anglo
French Ltée

Brock F. Clarke, Q.C.
Partner
Ogilvy, Renault

Kevin Drummond
Director

Gilles Lachance*
President and Chief
Executive Officer
Forano Inc.

Pierre Martin
President and Chief
Executive Officer
SOQUIP

Jacques Paquin*
Senior Vice-President
Le Groupe SGF

Jean Reymond*
Director

Lucien G. Rolland*
President and Chief
Executive Officer
Rolland Inc.

Jean-Paul Tardif
President
Groupe Prêt et Revenu

Edward P. Walsh*
President and Chief
Executive Officer
Donohue Inc.

* Member of the Executive Committee

Officers

Jacques Paquin
Chairman of the Board

Edward P. Walsh
President and Chief
Executive Officer

André P. Marcoux
Senior Vice-President

Gérald Drouin
Vice-President,
Administration and
Planning

J. André Fortin
Vice-President,
Woodlands

Germain P. Lecours
Vice-President, Finance
and Treasurer

Adrien R. Leger
Vice-President,
Customer Services

Jacques Massicotte
Vice-President
and Secretary

Maureen Gurrie
Assistant Secretary

Marlene Kandalaf
Assistant Treasurer

Marine Industrie Limitée

(and its subsidiaries)

1981 Highlights

- Net income of 6.7 million \$
- Sale by SGF of 35% of Marine Industrie Limitée common shares to Alsthom-Atlantique, a subsidiary of the Groupe CGE of France
- Presentation and approval of a five-year strategic plan
- Acquisition of Sométal Atlantic Limitée, a Rimouski-based company that manufactures products complementary to those of MIL
- Renewal of collective agreements for a period of three years with the hourly-rated employees and the office employees at the Sorel yard
- Procurement of a major contract from the government of Nova Scotia for the construction of a dry-dock

1982 Outlook

- Much greater shipbuilding and related activity than last year due mostly to the procurement of a contract to construct a dry-dock, and a contract with Petro-Canada to construct a ship
- Very strong activity in the hydro-electric division that will be delivering 8 generators, 4 turbines and 4 major welded components for LG3 and LG4 contracts
- Difficult outlook for the railcar division because of reduced activity by rail carriers
- Implementation of its development plan
- Merger of Sométal Atlantic Limitée, Foresteel Industrie Limitée and Marine Industrie Limitée

Summary of consolidated results

(in thousands of dollars)

	Sales	Net Earnings (loss) for the year
1981	220 041 \$	6 709 \$
1980	285 634	9 911
1979	204 748*	(3 159)
1978	74 265	(24 642)
1977	110 052	(2 978)

* figure restated

Summary of consolidated balance sheet (in thousands of dollars)

December 31	1981	1980
Current assets	70 384 \$	54 712 \$
Current liabilities	61 253	47 387
Working capital	9 131	7 325
Fixed assets — at cost		
less accumulated depreciation	39 958	28 540
Other assets	7 100	2 650
Total investment	56 189	38 515
Provision for warranty	1 928	1 148
Long-term debt	21 279	14 471
Interest of minority shareholders	101	—
Shareholders' equity	32 881 \$	22 896 \$

Shareholders

Société générale de financement du Québec	65%
Alsthom-Atlantique	35%

Directors

Jean-Roch Brisson*
President and Chief
Executive Officer
Marine Industrie Limitée

Marcel Cazavan
Adviser to the President
Caisse de dépôt et
placement du Québec

Stanley D. Clarke*
President
Clarke Transport Canada
Inc.

Jean Houde*
Vice-President
Le Groupe SGF

Jean-Claude Lebel*
Chairman of the Board,
President and Chief
Executive Officer
Le Groupe SGF

Edmond A. Lemieux
Executive Vice-President,
Finance
Foothills Pipelines
(Yukon) Ltd.

Pierre Montagner
Director
Management Control
Department
Alsthom-Atlantique

Roland Olivier
President and
General Manager
Cegelec Alsthom Canada
Inc.

Hector Perreault
Executive Vice-President
and Chief Operating
Officer
Marine Industrie Limitée

Michel Plessis-Bélair
Vice-President
Le Groupe SGF

Robert Schaeffer*
General Manager
Electromechanical
Division
Alsthom-Atlantique

Jacques Strack*
Executive Director
to the President and
Chief Executive Officer
Alsthom-Atlantique

* Member of the Executive Committee

Officers

Jean-Claude Lebel
Chairman of the Board

Jean-Roch Brisson
President and Chief
Executive Officer

Hector Perreault
Executive Vice-President
and Chief Operating
Officer

Robert Beaudry
Vice-President,
Manufacturing Services

Aimé Bédard
Vice-President,
Human Resources

Donald Guèvremont
Vice-President,
Railcar Division

Normand Laurin
Vice-President, Finance

Jean-Yves Leblanc
Vice-President,
Hydro-Electric Division

José Pereira
Vice-President,
Corporate Development

Guy Véronneau
Vice-President,
Shipbuilding and
Industrial Division

Louis Saint-Arnaud
Secretary and Director
of Legal Services

Laurent Marchand
Treasurer and
Assistant Secretary

Pierre G. Charbonneau
Assistant Secretary

Henri Lalonde
Assistant Secretary

Louis Fréchette
Controller

BG Checo International Limitée

(subsidiary of Cegelec Entreprises Inc.)

1981 Highlights

- Half of business volume done by the BGE division (mechanical and electrical installations)
- Reduction of profit margins in construction of power transmission lines due to bad weather conditions
- Satisfactory settlement of significant claims had a positive impact on net income
- Procurement of major contracts by the Automatec division for delivery in 1982 but problems related to the execution of an international contract in 1981

1982 Outlook

- Its forecasted business volume is the largest in the company's history; its order book is already well filled
- The largest share of business is related to the construction of power transmission lines and to electrical and mechanical installations
- Entry into the pipeline construction market
- Strong growth for the new western division, Progress Electrical and Mechanical
- The largest part of work undertaken by BG Checo comes under the construction decree that is up for renewal in May 1982; negotiation of the collective agreement at Automatec
- High level of activity in the electrical and electronic systems division

Summary of consolidated results

(in thousands of dollars)

	Sales	Net earnings (loss) for the year
1981	108 417 \$	2 116 \$
1980	112 561	2 012
1979	81 909	2 505
1978	85 172	2 728
1977	85 275	(1 363)

Summary of consolidated balance sheet (in thousands of dollars)

December 31	1981	1980
Current assets	29 573 \$	34 656 \$
Current liabilities	22 539	27 946
Working capital	7 034	6 710
Fixed assets — at cost		
less accumulated depreciation	4 089	4 340
Other assets	72	—
Total investment	11 195	11 050
Long-term debt	5 652	7 412
Minority interest on preferred shares	1 200	1 200
Shareholders' equity	4 343 \$	2 438 \$

Shareholders

BG Checo International Limitée

Cegelec Entreprises Inc.	98,9%
Others	1,1%

Cegelec Entreprises Inc.

Société générale de financement du Québec	50%
CGEE Alsthom	50%

Directors

Fernand R. Bibeau
President
Schokbêton Québec Inc.

Philippe Boisseau
General Manager
CGEE Alsthom

**Jean-Pierre des
Châtelets***
Director,
Electromechanical
Le Groupe SGF

Fred H. Ernst*
President and Chief
Executive Officer
BG Checo International
Limitée

Patrick Henry*
Associate Director,
Responsible for Zones,
Overseas Industrial
Division
CGEE Alsthom

Jean Houde*
Vice-President
Le Groupe SGF

Roland Olivier*
President and General
Manager
Cegelec Alsthom Canada
Inc.

Michel Plessis-Bélair
Vice-President
Le Groupe SGF

Louis C. Roulet
Director, Overseas
Industrial Division
CGEE Alsthom

* Member of the Executive Committee

Officers

Fred H. Ernst
President and Chief
Executive Officer

Joseph Corej
Executive Vice-President
and Chief Operating Officer

Philip M. Bradley
Vice-President,
Electrical and Electronic
Systems Division

André H. Corneille
Vice-President, Finance

Robert C. Neapole
Vice-President,
Bédard Girard Entreprises
Division

David R. Penner
Vice-President,
Western Canada

Laurent C. St-Onge
Vice-President,
Checo Division

Jean-Louis Tétrault
Vice-President,
Legal Department
and Secretary

Pierre Hogue
General Manager,
Personnel

Noëlle Drapeau
Assistant Secretary

Pétromont and Company, Limited

(partnership affiliated with Ethylec Inc.)

1981 Highlights

- First complete year of operations
- Implementation of internal organization and management systems
- Major reduction of demand in second half of the year, largely due to economic recession in the United States
- Steady growth of cost for raw materials as a result of the National Energy Program
- Operating profits much lower than anticipated

1982 Outlook

- Very difficult year unless there is a spectacular turn-around in the economic situation
- Disparity between production capacity and demand for ethylene

Summary of consolidated results

(in thousands of dollars)

	Sales		Net earnings for the year	
	Péto- mont	Share of Éthylec Inc.	Péto- mont	Share of Éthylec Inc.
1981	256 885 \$	50 427 \$	12 604 \$	2 411 \$
1980*	61 283	10 815	4 679	684

* three months of operation

Summary of consolidated balance sheet (in thousands of dollars)

December 31

	1981		1980	
	Péto- mont	Share of Éthylec Inc.	Péto- mont	Share of Éthylec Inc.
Current assets	34 710 \$	8 496 \$	34 990 \$	6 197 \$
Current liabilities	26 453	6 606	20 442	3 601
Working capital	8 257	1 890	14 548	2 596
Fixed assets — at cost less accumulated depreciation	126 007	30 924	129 708	22 721
Total investment	134 264	32 814	144 256	25 317
Long-term debt	47 000	3 669	69 582	6 583
Partners' equity	87 264 \$	29 145 \$	74 674 \$	18 734 \$

Special Partners

Société générale de financement du Québec (Ethylec Inc.)	26%
Gulf Canada Limited	41%
Union Carbide Canada Limited	33%

Directors*

Joseph D. DeGrandis
Senior Vice-President
Gulf Canada Products
Company Limited

Michael Dennis
Lawyer
Clarkson, Tétrault

John H. Dinsmore
Chairman of the Board
and President
Pétromont Inc.

Pierre Dupuis
President and General
Manager
Cegelec Industrie Inc.

Jacques J. Giasson
Director

Jacques A. Lefebvre
Vice-President,
Petrochemicals
Le Groupe SGF

Robert G. Perry
Senior Vice-President,
Plastics
Union Carbide
Canada Limited

Officers*

John H. Dinsmore
Chairman of the Board
and President

Marcel Emond
Vice-President,
Operations

Paul Suchodolski
Vice-President, Finance

Barry P. Welford
Vice-President,
Marketing and
Corporate Development

Serge Guérin
Executive Assistant
to the President
and Secretary

* Directors and Officers of Pétromont Inc.,
general partner

Cegelec Industrie Inc.

(and its subsidiary Dominion Cutout Limitée)

1981 Highlights

- Loss of 2.8 million \$ because of high financing costs and a contract with a low profit margin
- Injection of 6 million \$ in equity by shareholders
- Consolidation of circuit breaker manufacturing activities at a new plant in Longueuil
- New collective agreement and the creation of an advisory management-labour group
- Changes in the management of the company

1982 Outlook

- Forecast of profits after two consecutive years of losses
- Large increase in sales of which nearly 80% is already on the order book
- Improvement in overall productivity, management systems and internal communications
- Substantial improvement in the gross margin
- Development of new markets and the acquisition of export orders, as well as better penetration of the markets of Western Canada and the United States

Summary of consolidated results

(in thousands of dollars)

	Sales	Net earnings (loss) for the year
1981	34 156 \$	(2 825) \$
1980	29 194	(4 119)
1979	29 616	267
1978	17 131	593
1977	16 250	490

Summary of consolidated balance sheet (in thousands of dollars)

December 31	1981	1980
Current assets	24 933 \$	20 236 \$
Current liabilities	22 596	20 818
Working capital	2 337	(582)
Fixed assets — at cost		
less accumulated depreciation	3 829	3 686
Other assets	323	494
Total investment	6 489	3 598
Long-term debt	1 643	1 137
Other long-term liabilities	—	789
Shareholders' equity	4 846 \$	1 672 \$

Shareholders

Société générale de financement du Québec	50%
Alsthom Canada Inc.	50%

Directors

Roger Bensussan*
General Manager,
Electrical Equipment
Division
Delle-Alsthom

Guy Dallery*
Managing Director,
Branch B,
Electrical Materials
Alsthom-Atlantique

**Jean-Pierre des
Châtelets***
Director,
Electromechanical
Le Groupe SGF

Pierre Dupuis*
President and General
Manager
Cegelec Industrie Inc.

Georges Duverney
Vice-President and Chief
Executive Officer
Cera-ver

Roland Giroux
Director
Power Corporation of
Canada

Jean Houde*
Vice-President
Le Groupe SGF

Roland Olivier*
President and General
Manager
Cegelec Alsthom Canada
Inc.

Michel Plessis-Bélair
Vice-President
Le Groupe SGF

Maurice Riel, Q.C.
Stikeman, Elliott,
Tamaki, Mercier & Robb

* Member of the Executive Committee

Officers

Roland Olivier
Chairman of the Board

Pierre Dupuis
President and
General Manager

Oscar Jubinville
Vice-President, Finance
and Treasurer

René Lopez
Vice-President, Marketing

Michel Potvin
Vice-President,
Production

**Claire Brunelle
Villiard**
Secretary

Forano Inc.

(and its subsidiaries)

1981 Highlights

- Substantial loss attributable to collapse of markets served by the company
- Recovery plan put into operation
- Injection of 1.4 million \$ in capital by the shareholder
- Administrative reorganization based on the search for new markets, development of new products and improvement in productivity

1982 Outlook

- Results will be strongly influenced by the performance of the lumber industry and forest operations that again are expecting a difficult year
- Expiry of collective agreements with office employees
- Promising research and development program in association with the Centre de recherche industrielle du Québec
- Almost half of the sales of Les Industries Tanguay Limitée will result from new products or new markets

Summary of consolidated results

(in thousands of dollars)

	Sales	Net earnings (loss) for the year
1981	57 339 \$	(4 287) \$
1980	67 624	(922) *
1979	64 046	3 155
1978	47 509	693
1977	41 870	(3 138)

* figure restated

Summary of consolidated balance sheet (in thousands of dollars)

December 31	1981	1980*
Current assets	34 678 \$	36 539 \$
Current liabilities	24 060	26 250
Working capital	10 618	10 289
Fixed assets — at cost		
less accumulated depreciation	5 450	5 447
Other assets	717	616
Total investment	16 785	16 352
Long-term debt	10 274	6 785
Interest of minority shareholders	268	537
Shareholders' equity	6 243 \$	9 030 \$

* figures restated

Shareholder

Société générale de financement du Québec	100%
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Directors

Roger A. Ashby
President,
Domtar Pulp
and Paper Products
Domtar Inc.

Germain Boulanger
Director

Marcel Dorais
President and Chief
Executive Officer
Société Asbestos
Limitée

Max Drouin*
Chairman of the Board
Dominion Engineering
Works Limited

Louis-Gilles Gagnon
Vice-President,
General Counsel
Le Groupe SGF

Gilles Lachance*
President and Chief
Executive Officer
Forano Inc.

Jacques Paquin*
Senior Vice-President
Le Groupe SGF

Michel Plessis-Bélair*
Vice-President
Le Groupe SGF

Jean-Luc Vigneault
Vice-President
Vigneault & Frères Inc.

* Member of the Executive Committee

Officers

Jacques Paquin
Chairman of the Board

Gilles Lachance
President and Chief
Executive Officer

Jean Rivet
Vice-President,
Operations

Gilles Simoneau
Vice-President,
Sales and Marketing

Maurice J. Brisson
General Manager,
International Sales
Division

Roger Bussière
General Manager,
Forestry and Construction
Equipment Division

Jacques Dubois
General Manager,
Finance

Gilles Lagarde
General Manager,
Human Resources

Patrice Neault
General Manager,
Sawmill Equipment

Claire Brunelle Villiard
Secretary

1981 Highlights

- Construction of a new plant and offices in Saint-Hyacinthe at a cost of 6 million \$, and for this purpose, an investment of 1 million \$ by the shareholder
- Successful completion of the first field-erected boiler at a newsprint mill
- Weakness in demand for certain types of products
- Adoption of first five-year development plan

1982 Outlook

- Same volume of business as in 1981 despite the difficult economic situation
- Renewal of three-year collective agreements for office and plant employees
- Execution of a major contract relative to the new Sayabec wafer board plant

Summary of results

(in thousands of dollars)

	Sales	Net earnings (loss) for the year
1981	29 845 \$	1 039 \$
1980	20 418	1 176
1979	16 619	1 485
1978	12 309	874
1977	9 104	(324)

Summary of balance sheet (in thousands of dollars)

December 31	1981	1980
Current assets	14 502 \$	10 893 \$
Current liabilities	9 528	8 184
Working capital	4 974	2 709
Fixed assets — at cost		
less accumulated depreciation	6 722	2 539
Other assets	398	56
Total investment	12 094	5 304
Long-term debt	5 731	691
Shareholder's equity	6 363 \$	4 613 \$

Directors

Marcel Deslauriers
Chairman of the Board
Sico Inc.

Michel Doucet *
President and
General Manager
Volcano Inc.

Jean Houde *
Vice-President
Le Groupe SGF

Gilles Laporte
President and
General Manager
MGL Limitée

Marcel Manseau *
Special Adviser
Le Groupe SGF

Gilles Nolet *
Vice-President
Matco Mart Inc.

Michel Pelland
Associate Director
Blais, Fortier, Touche
Ross, Ltd

Michel Plessis-Bélair
Vice-President
Le Groupe SGF

Guylaine Saucier
President
Les Produits Forestiers
Saucier Ltée

* Member of the Executive Committee

Officers

Jean Houde
Chairman of the Board

Michel Doucet
President and
General Manager

Jean Richard
Vice-President,
Administration and
Planning

Michel Drouin
Production Manager

Réjean Gauthier
Service Manager

André Hains
Construction Manager

Normand Lapierre
Engineering Manager

Ernest Sabourin
Sales Manager

Yves M. Borduas
Controller

Réal Gosselin
Personnel Manager

Claire Brunelle Villiard
Secretary

Shareholder

Société générale de
financement du Québec 100%

Artopex Inc.

(subsidiary of Artopex Canada Ltée)

1981 Highlights

- Disappointing level of profits due to softness of markets and to substantial costs incurred for the development of new products
- Low rate of capacity utilization at plants
- Increase in SGF's investment from 45 to 60% in the capital stock of Artopex Canada Ltée

1982 Outlook

- Possibility of improving net income closely linked to the marketing of a new product line
- Increased profitability will depend on a greater utilization of production capacity

Summary of consolidated results

(in thousands of dollars)

	Sales	Net earnings (loss) for the year
1981	19 670 \$	68 \$
1980	17 332	573
1979	15 062	100
1978	13 198	14
1977	10 999	(195)

Summary of consolidated balance sheet

(in thousands of dollars)

December 31	1981	1980 *
Current assets	9 204 \$	8 153 \$
Current liabilities	7 259	6 022
Working capital	1 945	2 131
Fixed assets — at cost		
less accumulated depreciation	1 983	1 968
Total investment	3 928	4 099
Long-term debt	861	1 007
Deferred income taxes	308	251
Shareholders' equity	2 759 \$	2 841 \$

* Figures restated

Shareholders

Artopex Canada Ltée

Société générale de financement du Québec	60%
Les Placements Najo Ltée	40%

Investissements Novacap Inc.

Shareholders (Initial Investment: 4 million \$)

Société générale de financement du Québec	25%	Caisse de dépôt et placement du Québec	25%
Banque Nationale du Canada	25%	La Laurentienne, mutuelle d'Assurance	25%

Artopex Inc.

Directors

Guy Bonneau
President and Chief Executive Officer
Artopex Inc.

Denise Martin
Director of Market Research
Métro-Richelieu Inc.

Rémi Marcoux
President
Groupe Transcontinental G.T.C. Ltée

Richard Moranville
President
Prima Film Inc.

Jacques Paquin
Senior Vice-President
Le Groupe SGF

Officers

Jacques Paquin
Chairman of the Board

Guy Bonneau
President and Chief Executive Officer

Louis-Philippe Desrosiers
Senior Vice-President and Treasurer

Georges Brosseau
Vice-President, Manufacturing

Serge MacDuff
Vice-President, Marketing

Claire Brunelle Villiard
Secretary

Investissements Novacap Inc.

Directors

Marc Beauchamp*
President
Investissements Novacap Inc.

André Bérard*
First Vice-President and General Manager, Corporate Lending
Banque Nationale du Canada

Roger Décary
Executive Vice-President and General Manager
La Laurentienne, mutuelle d'Assurance

Marcel Dumas*
Executive Vice-President and Development
La Corporation du Groupe La Laurentienne

Denis Giroux*
Manager, Special Investments
Caisse de dépôt et placement du Québec

Pierre Lamy
Special Adviser
Caisse de dépôt et placement du Québec

Jacques A. Lefebvre
Vice-President, Petrochemicals
Le Groupe SGF

Jacques Paquin*
Senior Vice-President
Le Groupe SGF

Gilles Roch
Executive Vice-President, Canada

Banque Nationale du Canada

* Member of the Executive Committee

Officers

Jacques A. Lefebvre
Chairman of the Board

Marc Beauchamp
President

André Bérard
Vice-Chairman and President of the Executive Committee

Alain-F. Desfossés
Secretary

Nouveler Inc.

(and its subsidiaries)

Summary of consolidated results

(in thousands of dollars)

	Sales	Net loss for the year
1981	28 \$	188 \$
1980	—	286

Summary of consolidated balance sheet (in thousands of dollars)

December 31	1981	1980
Current assets	4 094 \$	2 164 \$
Current liabilities	225	75
Working Capital	3 869	2 089
Fixed assets — at cost		
less accumulated depreciation	118	125
Investments	345	—
Work in Progress	146	—
Services performed but not invoiced	709	—
Total investment	5 187	2 214
Long-term debt	475	—
Interest of minority shareholders	51	—
Other long-term liabilities	136	—
Shareholders' equity	4 525 \$	2 214 \$

Shareholders

Société générale de financement du Québec	35%	SOQUEM	15%
Hydro-Québec	35%	REXFOR	15%

John Meunier Inc.

Summary of results

(in thousands of dollars)

	Sales	Net loss for the year
1981	1 376 \$	200 \$

Summary of balance sheet (in thousands of dollars)

December 31	1981
Current assets	689 \$
Current liabilities	522
Working capital	167
Fixed assets — at cost	
less accumulated depreciation	300
Other assets	98
Total investment	565
Long-term debt	224
Shareholders' equity	341 \$

Shareholders

Société générale de financement du Québec	26,7%	Volcano Inc.	12,5%
Forano Inc.	23,5%	Other shareholder	37,3%

Nouveler Inc.

Directors

Paul Bourassa
President
SOQUEM

Joseph Bourbeau
Chairman of the Board
Hydro-Québec

Rita Dionne-Marsolais
Vice-President,
Corporate Development
Le Groupe SGF

Michel Duchesneau
President
REXFOR

Nicolle Forget
Director

Renaud Lapierre
Associate Deputy
Minister
Ministère de l'Énergie
et des Ressources

Jean-Claude Lebel
Chairman of the Board,
President
and Chief Executive
Officer
Le Groupe SGF

Officers

Nicolle Forget
Chairman of the Board

Robert Rocheleau
Vice-President, Finance
and Treasurer

Ovide Poitras
Vice-President,
Development

Michel Ste-Marie
Secretary

Michel Verret
Associate Secretary

John Meunier Inc.

Directors

Gilles Bertrand
Lawyer
Guy, Mercier, Bertrand,
Bourgeois & Laurent

Michel Doucet
President and General
Manager
Volcano Inc.

Jacques Dubois
General Manager,
Finance
Forano Inc.

Jean-Claude Lauzon
President
J. C. Lauzon (1979) Inc.

Marcel Manseau
Special Adviser
Le Groupe SGF

Gabriel Meunier
President and General
Manager
John Meunier Inc.

Jacques Nepveu
Director, Planning
Le Groupe SGF

Gilles Simoneau
Vice-President, Sales
and Marketing
Forano Inc.

Officers

Marcel Manseau
Chairman of the Board

Gabriel Meunier
President and
General Manager

Claire Brunelle Villiard
Secretary

Human Resources

	Unionized	Non unionized	Staffs	Total
Donohue Inc. and its subsidiaries	2 240	180	422	2 842
Marine Industrie Limitée	1 929	N/A	392	2 321
BG Checo International Limitée	1 284	231	294	1 809
Pétromont and Company, Limited	132	9	92	233
Cegelec Industrie Inc. and its subsidiary	241	63	74	378
Forano Inc. and its subsidiaries	502	177	92	771
Volcano Inc.	307	50	73	430
Artopex Inc.	202	68	50	320
Nouveler Inc. and its subsidiaries	13	10	10	33
John Meunier Inc.	N/A	16	7	23
SGF	N/A	13	17	30
TOTAL	6 850	817	1 523	9 190

Renewal of collective agreements in 1982

Companies	Due Dates	Companies	Due Dates
Donohue Inc.		Forano Inc.	
Clermont — Forest operations	October 1	Plant	December 1
Clermont — Mill	May 1	Office employees	January 1
Clermont — Office employees	May 1	Forano Ag Inc.	
Clermont Forest Service — Office employees	October 1	Plant	December 1
Clermont Forest Service — Scalers, assistant-scalers	October 1	Office employees	January 1
Donohue St-Félicien Inc.		Les Industries Tanguay Limitée	
St-Thomas — Forest operations	June 1	Plant	November 20
Chibougamau — Forest operations	August 15	Cegelec Industrie Inc.	
Chibougamau — Sawmill	July 1	Dominion Cutout Limitée	April 8
St-Félicien — Kraft mill	May 1	Volcano Inc.	
Notre-Dame-de-la-Doré	September 1	Office employees	March 1
Marine Industrie Limitée		Plant	March 1
Sométal Division	June 1	Artopex Inc.	
BG Checo International Limitée		Bonnex Division	April 1
Checo Division, supply park	May 31	Artena Division	July 10
Automatec	June 1		
Construction industry decree	May 1		

Le Groupe SGF

Société générale de financement
du Québec

Head Office:

Suite 800, 680 Sherbrooke Street West

Montréal (Québec) H3A 2M7

Téléphone: (514) 288-5764 Téléc: 05-268 764

Companies

Donohue Inc.

Head Office:

500 Grande Allée East
Québec (Québec) G1R 2J7

Subsidiaries:

Donohue St-Félicien Inc.
Donohue Normick Inc.
Donohue Charlevoix Inc.
Donohue Malbaie Inc.

Mills:

Paper:

Clermont, Charlevoix Co.
Québec

Donohue Normick Inc.
Amos, Abitibi, Québec

Kraft Pulp:

St-Félicien, Roberval Co.
Québec

Sawmills:

Saint-Thomas-Didyme, Normandin,
Girardville and Parc Chibougamau,
Lac Saint-Jean ouest Co., Québec

Plants:

Tracy (Sorel),
Québec

Marine Industrie Limitée

Head Office:

Suite 910
1010 Sherbrooke Street, West
Montréal (Québec) H3A 2R7

Montréal, Québec

Rimouski, Québec

Lachine, Québec

Ethylec Inc.

Head Office:

Suite 800
680 Sherbrooke Street, West
Montréal (Québec) H3A 2M7

Special partner of:

Pétromont and Company, Limited
Suite 2000
2020 University Street
Montréal (Québec) H3A 2A5

Plants:

Varenes, Québec
Montréal-Est, Québec

Products and Services

Newsprint

Newsprint

Bleached kraft pulp

Lumber

Railcar Division:

Freight rail cars: covered hopper cars, flat cars (bulkhead, container, piggyback), ore cars, coal cars and special purpose cars.

Hydro-electric Division:

Design, manufacture, installation and major overhauls of hydraulic turbines and generators, hydraulic gates and control valves; manufacture of energy-related equipment — synchronous condensers, turbo generators, large electric motors.

Shipbuilding and Industrial Products Division:

Shipbuilding and ship-repairing of various types of ships (up to 20,000 tons): multipurpose cargo liners, coastal tankers, ferry boats, destroyer escort vessels, fishing trawlers, tugs, barges, etc.

Custom-built heavy industrial equipment: over-head cranes, gantry cranes, grinding mills, rotary kilns; heavy machining.

Foresteel Division:

Custom-built steel products: components for railcars, ships and hydro-electric equipment, steel mill equipment, hoppers, pressure vessels, industrial furnaces, environmental equipment components such as: double-walled chimneys.

Sométal Division:

Design, manufacture and installation of steel components for hydraulic projects and industrial steel structures.

Milthom (Joint venture):

Generator stator windings.

Primary petrochemical products: ethylene, propylene, aromatics, etc.

BG Checo International Limitée

(subsidiary of Cegelec Entreprises Inc.)

Head Office:

Suite 1200
110, Crémazie Boulevard, West
Montréal (Québec) H2P 1B9

Plants:

Montréal, Québec
Ville d'Anjou, Québec

Subsidiaries:

BG Checo Consultants Limitée
Montréal (Québec)

BG Mexico S.A.
Mexico F.D., Mexico

Forano Inc.

Head Office:

1600, St. Paul Street
Plessisville (Québec) G6L 2Y9

Plant:

Plessisville, Québec

Sales offices:

Across Canada

Checo Division:

Construction and maintenance of power transmission and distribution systems, of natural gas pipelines and of auxiliary distribution systems for hydrocarbons.

Bédard Girard Entreprises Division (BGE) and Progress Electrical and Mechanical Division (Edmonton, Alberta):

Installation and maintenance of electrical, electronic and mechanical equipment for public utilities and industries.

Electrical and Electronic Systems Division:

Design and manufacturing of electrical and electronic equipment and systems.

Bédard Girard Industries (BGI):

Control and monitoring panels for generating stations, sub-stations, transport systems, ships and industrial processes; low and medium voltage switchgear; overhead ground wire power supply.

Automatec:

Electronic industrial automation systems; electrical network teleprotection, supervisory control and data acquisition systems; vehicle lighting and ballasts; electronic fare collection control equipment for transport systems.

Bédard Girard Repair Shop:

Sale, maintenance and rewinding of electric motors and generators; maintenance of marine electrical equipment; welding machines rental and repair.

Transtec:

Automation equipment and systems for public transport signaling and control systems for mass transit.

Engineering and International Division:

Engineering services and international marketing.

Forestry and Construction Equipment Division:

Distribution and manufacturing of forestry and construction equipment: loaders, slashers, feller-bunchers, etc.

Industrial Equipment Division:

Forano-designed, under-licence or custom-built mechanical material handling systems and components for the pulp and paper industry, the mining industry, etc.

Custom-built mechanical equipment: sewer gates, wastewater treatment equipment, machining.

Rough and machined grey-iron castings.

Sale and production of sawmill equipment: barkers, automatic carriages, band saws, edgers, planer-matchers, chippers, vibrating screens, drying kilns, computer controlled sorting and sawing systems.

Design and installation of complete sawmills.

Subsidiaries:

Forano Ag Inc.

Les Industries Tanguay
Limitée

Cegelec Industrie Inc.**Head Office:**

1400, boulevard Industriel
Laprairie (Québec) J5R 2E5

Subsidiary:

Dominion Cutout Limitée
155, Nantucket Street
Scarborough (Ontario)

Volcano Inc.**Head Office:**

4300, Beaudry Street
Saint-Hyacinthe (Québec) J0L 8A5

Artopex Canada Ltée**Head Office:**

2121, Berlier Street
Ville de Laval (Québec) H7S 1Z9

Subsidiary:

Artopex Inc.

John Meunier Inc.**Head Office:**

6290, Périnault Street
Montréal (Québec) H4K 1K5

Nouveler Inc.**Head Office:**

Suite 1810
1080, Côte du Beaver Hall
Montréal (Québec) H2Z 1S8

Subsidiaries:

Éconoler Inc.

Équipement Canair (1981) Inc.

Biosyn
(Joint venture)

Investissements Novacap Inc.**Head Office:**

Suite 840
680, Sherbrooke Street, West
Montréal (Québec) H3A 2M7

Main office:

Plessisville, Québec

Sales offices:

Moncton, New Brunswick
Woodstock, Ontario

Plant:

St-Prime
Roberval Co., Québec

Plants:

Laprairie, Québec
Longueuil, Québec

Plants:

Scarborough, Ontario
Ville de Saint-Laurent, Québec

Plants:

Saint-Hyacinthe, Québec

Sales and service centers:

Across Canada

Plants:

Laval, Québec
Longueuil, Québec
Sainte-Thérèse, Québec

Sales offices:

Canada and United States

Plant:

Montréal, Québec

Plant:

Ville de Saint-Laurent,
Québec

Importers and wholesalers of a wide range of farm implements and allied equipment: plows, rototillers, fertilizer spreaders, grain dryers, snowblowers, etc.

Manufacturing of forestry equipment:

Knuckle boom loaders, mobile and stationary slashers, delimiters.

High Voltage circuit breakers (up to 800 kV) and disconnect switches (from 25 kV to 800 kV), medium voltage SF6 metal-clad switchgears; ceramic insulators for electrical apparatus.

Distribution cutouts and fuse links, hookstick switches, power fuses (from 5 kV to 230 kV), etc.

Combustion and heat transfer equipment:

commercial and industrial boilers (light oil, heavy oil, gas, electric, wood-waste or other combustible solids): package boilers, firetube (up to 600 hp), watertube (up to 200 000 lb of steam/hr), thermal fluid, high temperature hot water; large field erected boilers and turnkey boiler room projects; boiler-room accessories, economizers, steam and hot-water generators.

Service department: maintenance, repair and conversion of all types of boilers.

Design and manufacturing of office furniture:

Filing cabinets (lateral and vertical), complete office suites (wood or metal), integrated systems for office layout purposes, office chairs.

Sale, manufacturing, installation and maintenance of equipment for water-filtration plants, water-conditioning, wastewater treatment plants (municipal, industrial, residential): submerged and dry-well pumps.

Products and services directed towards the development of new energy sources and energy savings.

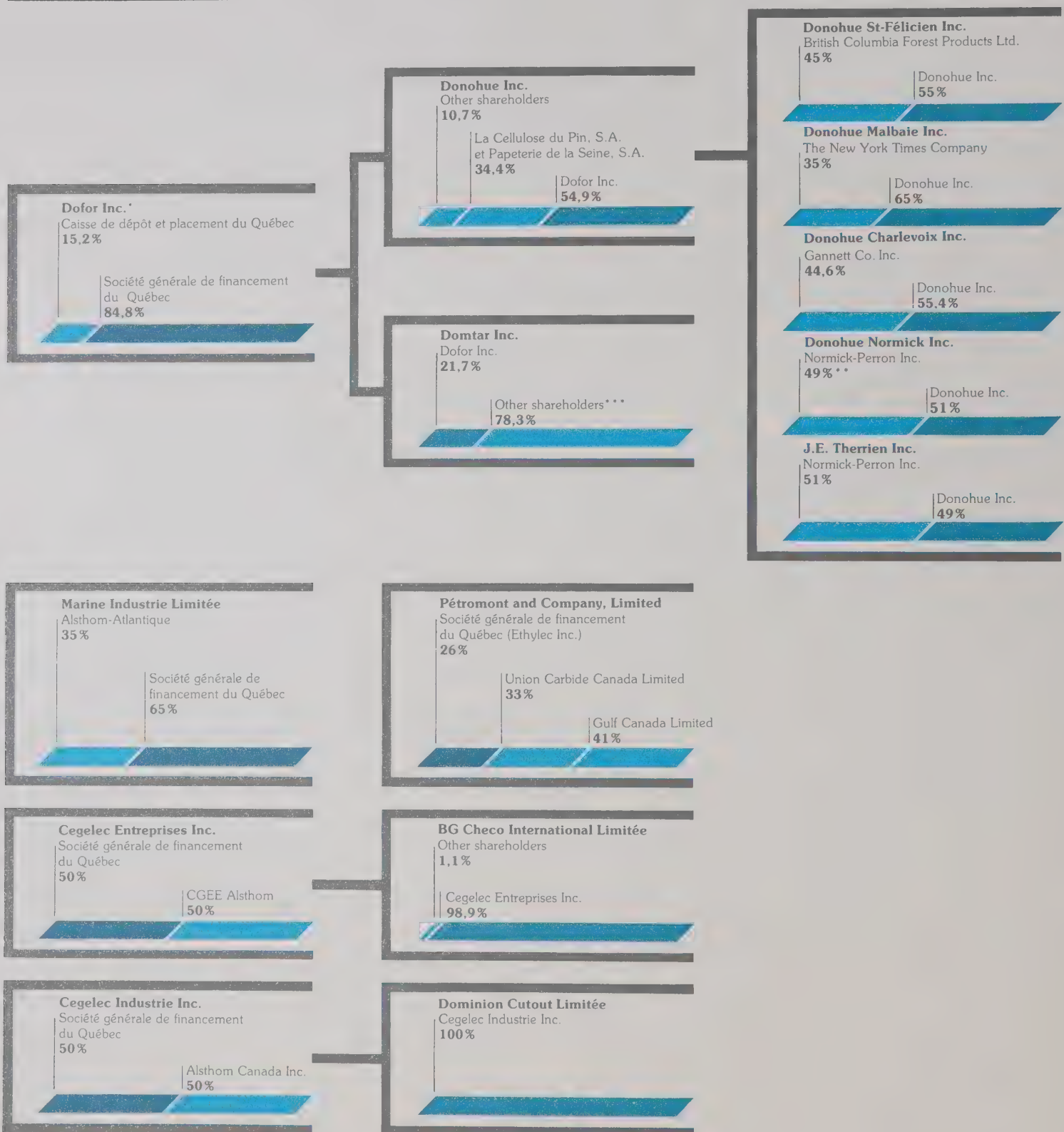
Design, management and financing services for projects aimed at energy savings.


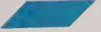
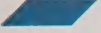
Manufacture and sale of heating and air-conditioning equipment such as water-air heat pumps.

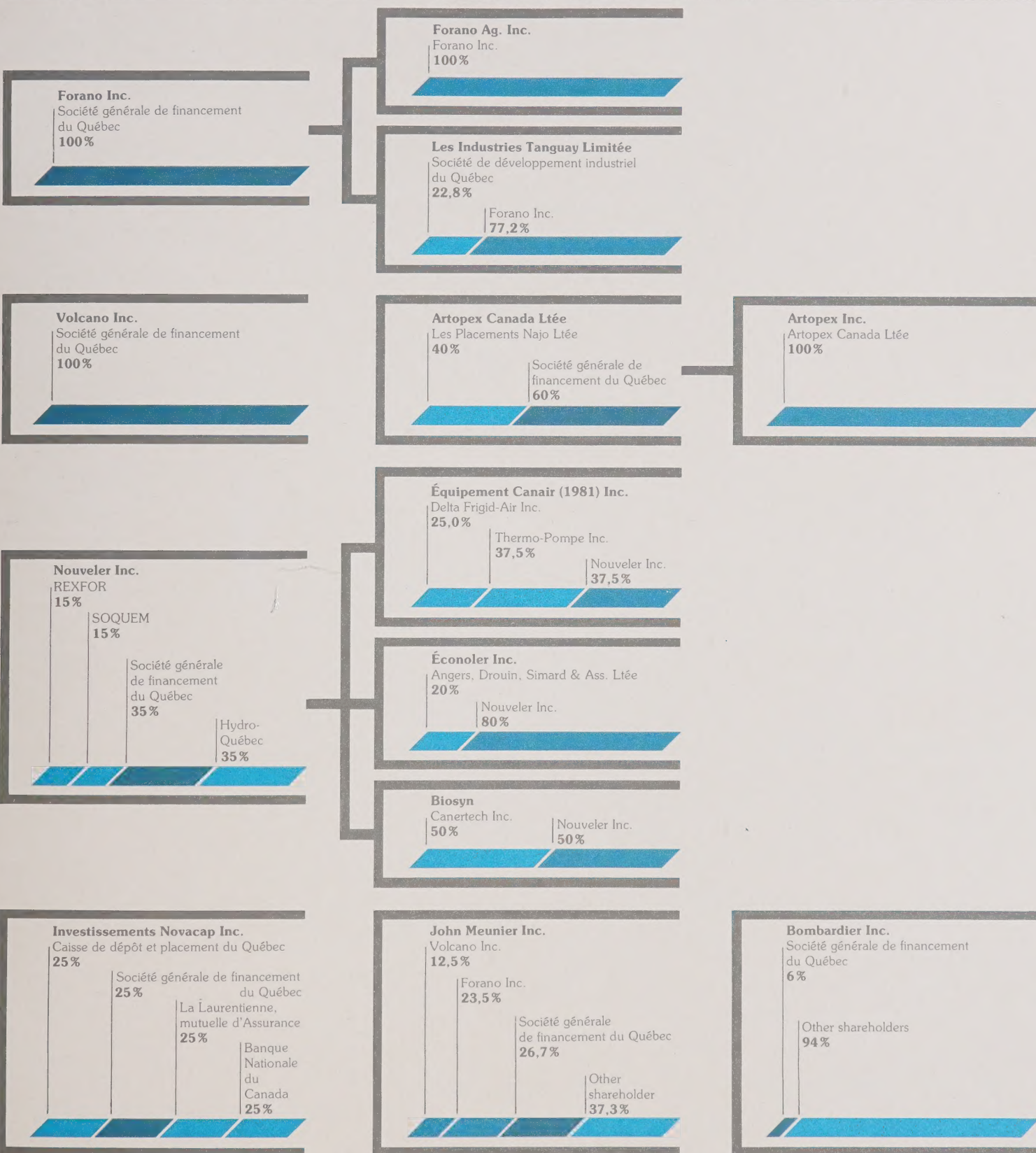
Construction of a pilot plant for the production of methanol from wood waste.

Investment of venture capital directed toward innovations in small and medium-size businesses.

Le groupe SGF — Investments in Capital Stock



-  Share held by other shareholders
-  Share held by Le Groupe SGF companies
-  Share held by SGF



* Establishment of this subsidiary in 1982

** Assuming that the purchase-option of capital stock is exercised

*** Including shares held by the Caisse de dépôt et placement du Québec

The cover of this Annual Report was lithographed by Thérien Frères Ltée of Montréal on Domtar's Cornwall Coated Card, one side, white, 0,010 pt-208g/m²; the inside pages were lithographed on Domtar Plainfield Offset, grey, 160M-118g/m².

Des copies en français de ce rapport sont disponibles sur demande au Secrétaire, Société générale de financement du Québec 680, rue Sherbrooke ouest Suite 800 Montréal, Québec H3A 2M7

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